

Checklist for Forming A Nonprofit Corporation

Steps to becoming a nonprofit

Starting a new nonprofit is neither easy nor quick. Staying legal through the process can be difficult – if you miss an important step, fail to file the correct form or miss a deadline, you may have to start over.

Below is an outline of the major steps necessary to start and maintain a nonprofit in the state of Missouri. These steps are meant to be used only as a general guide and may not apply to all situations. In many situations, legal assistance may be necessary.

☒ Determine if you really need to start a nonprofit.

Is starting a new nonprofit organization really the best way to accomplish your goals? Other alternatives, including collaborating with an existing nonprofit organization, establishing an informal club or association (a viable option for groups with annual budgets under \$25,000), finding a fiscal sponsor, or forming a for-profit business, may achieve your objectives quicker, more efficiently, and for the best benefit of your target audience. See “What is a nonprofit” for further discussion on this topic.

☒ Decide on the purpose and mission.

The purpose of a charitable nonprofit **must be for the public interest and common good**. It should establish a single mission and a set of goals and programs that will accomplish that mission. This is a step where a new nonprofit should analyze what it wants to do, who it wants to reach, and how it wants to impact society. A mission statement should be brief, timeless, and descriptive of what the organization is trying to accomplish. The Mission Statement will guide the organization through its initial formation, program development, growth and change. Refer to [“Bylaws – Your Nonprofit’s Rule Book”](#) for more information on writing a Mission Statement.

☒ Recruit board members.

The initial board of directors assumes much of the responsibility in starting a new nonprofit. They will determine the direction and goals of the organization and set precedents for future board members. They approve the original bylaws, do the initial fundraising and hire staff as the organization takes shape and becomes an entity in and of itself. This initial all-volunteer period can prove to be very challenging for new organizations.

☒ Check for organization name availability.

Before you take any steps to form your organization, it is crucial that you check to make sure that the name you have selected for your organization is available – under Missouri law no two corporations may have the same name. The Missouri Secretary of State’s Name Availability Desk (573/751-3317) can verify the availability of a name.

An organization name can be reserved by completing form [LLC-3](#) or sending a letter stating the name you wish to use along with a fee of \$25. The reservation is good for 60 days. If you are ready to file your Missouri articles of incorporation, this step isn’t necessary.

☒ Write the articles of incorporation.

The founders of the organization should write the articles of incorporation. This document formally names the entity, its location, and its purpose. This document is the legal record of how the organization is to be managed. The General Not For Profit Law, Chapter 344 RSMo, lists laws that govern Missouri nonprofit corporations. It is important to remember when drafting the original articles of incorporation that parts of the General Not For Profit Law state the default laws that nonprofits must follow, unless their articles or bylaws state otherwise.

It is necessary to write and file the articles of incorporation prior to applying for tax-exempt status from the Internal Revenue Service; however the IRS requires specific language be used to describe the charitable

purpose of the organization, and the requirements it must follow for exemption, so it is a good idea to obtain the federal forms and [Publication 557](#) before you begin the application process.

☒ Create a business plan with a budget

Creating a realistic business plan provides a sense of direction to the organization as it develops. A plan should include what the organization's goals are, what programs it will operate, where it will get funding, will it conduct events, will the organization have staff, volunteers, and more. It should also include a budget plan. Where will funding come from? Will programs rely on grants, individual donations, state or federal contracts? What expenses will the organization incur?

A business plan and budget are not only useful in thinking through the structure of the organization, but they are required as part of the narrative section of [IRS Form 1023](#), Application for Tax-Exempt Status.

Refer to our section on "[Writing A Business Plan](#)" for more information on business plans.

☒ Incorporate as a nonprofit organization.

Filing articles of incorporation with the Missouri Secretary of State's Office establishes your organization as a nonprofit under Missouri law; however, this does not make the organization a nonprofit, tax exempt charitable organization under Federal law. Depending on the goals of your organization, it may be necessary to take the next step and file the required forms to be a federally recognized nonprofit.

Incorporating an organization also provides stability during personnel changes, eases future relationships with funders, contractors and employees, and provides the means to apply for tax-exempt status through the IRS. Once the articles are filed, the organization will receive a "Certificate of Incorporation" from the Missouri Secretary of State's Office. This certificate includes a charter number unique to that organization. The charter number is used only internally by the Secretary of State. To incorporate, send your organization's Articles of Incorporation ([Form Corp 52](#)) to the Missouri Secretary of State, Corporations Division, P.O. Box 778, Jefferson City, MO 65102; the filing fee is \$25.

☒ Draft the corporate bylaws.

The bylaws will serve as the rule book for the nonprofit. Chapter 355 of the [Revised Missouri Statutes](#) is the basis for Missouri's nonprofit law, and the organization's bylaws should follow this law. There is substantial flexibility to writing the organizational bylaws to fit the uniqueness of an organization. They are flexible and relatively easy to amend as the organization changes and grows.

Refer to "[Creating Your Organization's Bylaws](#)" for more information on bylaws as well as sample bylaws.

☒ Hold first meeting of the board.

The first official meeting should consist of the initial board members or incorporators. This gathering marks the official start of the organization.

At the first meeting of the board, the initial board members must approve the drafted bylaws and adopt its principles. The new organization will also vote on new board members and officers as it is called for in its bylaws. Once these activities are accomplished, the board should begin tackling the mission and start the process of obtaining tax-exempt status.

☒ Apply for Federal Employer ID Number (EIN) – SS4.

Nonprofit organizations should have an EIN, often referred to as a Federal Employer ID Number, even if it has no employees. The EIN is a nine-digit number used for tax filing and reporting purposes; it is usually required to open a bank account or in other fiscal operations. Organizations must receive their EIN before filing Form 1023. Use IRS [Form SS-4](#) — Application for Employer Identification Number (EIN). Organizations must be incorporated prior to applying for an EIN. There are no filing fees.

You can apply for an EIN by telephone, fax or mail depending on how soon you need the EIN. For corporations headquartered in Missouri:

- ◆ Mail to: EIN Operation, Philadelphia, PA 19255
- ◆ Telephone: 866-816-2065
- ◆ Fax: 215-516-3990

Call 1-800-829-1040 to verify a number or to ask about the status of an application by mail.

☒ **Obtain income tax exempt status from the IRS.**

Once the organization's articles of incorporation have been filed and the bylaws have been approved by the initial board of directors, the next step for a new nonprofit is applying for federal tax exemption from the Internal Revenue Service. A common myth is that all nonprofits are automatically tax-exempt.

There are several steps and filing requirements an organization needs to complete before receiving exemption. And even then, not all organizations qualify for the same exemptions. The following applies for 501(c)(3) status from the IRS, the most common type of tax-exempt organization.

First, obtain IRS [Publication 557](#)— Tax-Exempt Status for Your Organization. This 55-page document includes no forms to file, but lays out the federal laws regulating tax-exempt organizations. It is available free and serves as a useful reference guide for filing requirements, employment issues, lobbying expenditures, and many other complex nonprofit issues regulated by IRS codes.

Second, get copies of IRS [Form 1023](#) and [Form 8718](#) — Application for Recognition of Exemption under 501(c)(3) of the Internal Revenue Code. Form 1023 applies for a ruling or determination letter on an organization's exempt status under Section 501(c)(3). This package of forms contains both Form 1023 and Form 8718 (User Fee for Exempt Organizations Determination Letter Request). Form 8718 is used to process the fee for applying for tax-exempt status and must be included when filing Form 1023. Organizations applying for exemption under another 501(c) section should file IRS [Form 1024](#).

The filing fee is \$500 for organizations anticipating gross receipts averaging more than \$10,000 during its first four years and \$150 for organizations anticipating gross receipts averaging less than \$10,000 during its first four years.

Refer to "[Completing the Application Process](#)" for a detailed discussion on the steps involved in applying for and receiving your Federal 501(c) designation.

☒ **Apply for sales tax exemption from the state.**

Not-for-profit organizations incorporated in Missouri are not automatically eligible for sales tax exemption status. This exemption allows purchases on office supplies, furniture, vehicles, computer equipment and other taxed items to be purchased without sales tax. A Missouri Sales/Use Tax Exemption Application ([Form 1746](#) Rev. 10-98) must be completed and approved by the Missouri Department of Revenue before your organization is exempt from Missouri Sales tax.

Besides completing this form, the Missouri Department of Revenue requests the following materials be mailed for their review;

- copy of your Certificate of Incorporation from Missouri Secretary of State office;
- copy of your Bylaws or Articles of Incorporation;
- complete financial history for last three years, or if just starting as an organization, an estimated budget for one year;
- copy of your 501 (c) exemption letter from the Internal Revenue Service

Your organization will typically receive word about your status within two months of submitting your application to the Missouri Department of Revenue. If approved, your sales tax exempt status is valid for

five years from date of approval. A renewal letter will be mailed out to your organization three months in advance of your five-year expiration date.

☒ **Receive tax identification number, if needed.**

If the organization will sell products or services subject to Missouri sales tax or withhold income taxes from employees, the organization must receive a tax identification number from the Missouri Department of Revenue.

To obtain a tax identification number, complete and submit [Form 2643](#) (Missouri Tax Registration Application). Organizations must submit this form if they register for at least one type of tax, including sales and withholding taxes, income tax, and excise and gross receipts taxes. The package also includes registration forms for each of these taxes and instructions. Fees depend on projected sales. Mail the completed form to: Missouri Department of Revenue, P.O. Box 3300, Jefferson City, MO 65105-3300 or call (573) 751-5860 or assistance.

☒ **Register as a charity**

Missouri Charitable Solicitation Law requires nonprofits to register with the Missouri Attorney General's Office. No charitable organization can solicit funds or employ a professional fundraiser to solicit funds in Missouri, for any charitable purpose unless it, and each professional fundraiser employed by it, have filed all registrations and reports required by sections 407.450 to 407.478 RSMo. Some charities exempt from this provision include religious organizations and educational institutions. Organizations that must register are required to file annual reports with the Attorney General's Office and, on request, disclose how much of the solicited money is spent on fund-raising costs. The Attorney General's Office is given investigative and enforcement power over charitable organizations that illegally solicit donations. For more information, contact the Missouri Attorney General's Office at (573) 751-3321 KimHaddix@mail.ago.state.mo.us.

- ◆ [Instructions for Registration](#) *(Please read before starting forms)*
- ◆ [Charitable Organization Initial Registration Statement](#)
- ◆ [Charitable Organization Annual Report Form](#)
- ◆ [Missouri Charitable Solicitations Law](#)

☒ **Annual Filing Requirements.**

Annual reporting ensures nonprofits are held accountable for their charitable fundraising and annual expenditures.

Even though a nonprofit organization may be tax exempt, it must file an annual tax return with the Internal Revenue Service. Generally, charities with more than \$100,000 in gross revenues and more than \$250,000 in total assets must file the Form 990; smaller charities may file the EZ Form. This is the most detailed and most misunderstood filing for nonprofits. It is the most complete documentation of an organization's financial history and is often used to hold the organization accountable for its past actions and future decisions. Recent rulings by the Internal Revenue Service state that nonprofit organizations must make their Form 990 and applications for tax-exempt status widely accessible and available to anyone who requests.

The Missouri Office of the Secretary of State requires that your non-profit organization renew its state incorporation papers on an annual basis. Failure to complete and return the annual report form could place your state incorporation status in jeopardy.

Missouri Charitable Solicitation Law requires nonprofits to register with the Missouri Attorney General's Office and to file annual reports with the Attorney General's Office.

Refer to the section “[Reporting Requirements](#)” for more information on state and federal annual reporting requirements.

Checklist of forms, publications and fees

| Form | Fee | Submit to | Description |
|--|-------------------------|-----------------------|--|
| Publication 557 | None | N/A | An IRS publication that details the rules and procedures for seeking to obtain exemption from federal income taxes |
| Application for Reservation of Name | \$25 | Secretary of State | Reserves a unique name for the organization for up to 60 days. |
| Articles of Incorporation | \$25 | Secretary of State | Legally incorporates the nonprofit under Missouri law. |
| Form SS-4 | None | IRS | Applies for Employer Identification (Federal ID) Number. |
| Form 1023 and Form 8718 | \$500 or \$150 | IRS | Applies for federal tax exemptions under Section 501(c)(3) of the IRS tax code. Must accompany Form 8718 (User Fee for Exempt Organizations Determination Letter Request). |
| Form 1746 | None | Department of Revenue | Applies for exemption from Missouri sales taxes. (Not all 501(c)(3) organizations qualify for this exemption.) |
| Form 2643 | Depends on type of tax. | Department of Revenue | Registers for tax ID number for organizations collecting tax on products or services, or withholding taxes for employees. |
| Charitable Organization Initial Registration Statement | \$15 | Attorney General | Any charitable organization soliciting funds in Missouri must register. |
| Form 990 | None | IRS | Files tax return for tax-exempt organizations. |
| Charitable Organization Annual Report Form | \$15 | Attorney General | Files annual report on funds collected. |
| Annual Registration | None | Secretary of State | Maintains organization incorporation status. Organizations must pay a \$25 fee to reinstate its incorporation. |

This information was developed using information from the Missouri Secretary of State’s Office, Missouri Department of Revenue, Internal Revenue Service, University of Missouri-Columbia’s Community Development Extension Program, St. Louis Volunteer Lawyers and Accountants for the Arts (www.vlaa.org) and Minnesota Council of Nonprofits (www.mncn.org).